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SUBJECT: GOVERNOR ANNOUNCES THE FORMATION OF THE BASRAH INVESTMENT  
PROMOTION AGENCY

CLASSIFIED BY: Ramon Negrón, Regional Coordinator, Regional  
Embassy Office, Department of State.  
REASON: 1.4 (b)

¶1. (U) In early-July, Governor Muhammed Waeli announced the appointment of the first Basrah Investment Promotion Agency (BIPA) board. BIPA was established under the National Investment Law (No 13 of 2006), which mandates the setting up of a National Investment Commission (NIC) and regional or governorate level investment commissions with powers to grant investment licenses, identify strategic investment opportunities, and promote foreign investment. Although organizationally BIPA falls under the NIC, the agency is under the oversight of the Provincial Council (PC) and reports directly to the Office of the Governor. BIPA also has approval authority for provincial investment projects valued between USD 1 million and USD 250 million.

¶2. (C) Following the Governor's announcement, REO met with Hamed Abud al-Dhalmi, member of the Provincial Council, to discuss the newly formed investment board. When asked about reports criticizing specific appointments, Dhalmi characterized the selection process as too partisan, adding that members of the PC were more concerned with political affiliation than competencies needed to effectively promote and guide investment. According to Dhalmi, the BIPA board consists of ten members who serve seven-year terms. Five were nominated by Waeli's Fadhila party and the Iraqi National Accord, including the board's chairman Haydir Ali Fadel. Four others were nominated by PC members representing a consortium of opposition parties including the Islamic Supreme Council of Iraq (ISCI), Prime Minister Maliki's Dawa party, Badr, and Hezbollah. Dhalmi said a tenth member was added by the PC Chairman.

¶3. (C) According to Dhalmi, Waeli expected that the appointments would be politically driven and was fully prepared to work with a "less-than-perfect" board, since the Governor's principal objective was to get enough buy-in from the PC to establish the agency and expedite its ability to serve as a functioning body. Moving forward, however, Dhalmi said Waeli plans to replace several board members with others who are more Fadhila-leaning. Dhalmi believes Waeli will argue that two members should be removed due to a conflict of interest, since they are also members of the PC, which has limited oversight of BIPA responsibilities. In deposing other members, Waeli may cite their lack of experience in business development and investment promotion.

¶4. (C) Ihsan Abdul Jabar Ismaeel, advisor to governor Waeli, offered a contrasting view to the REO during a separate conversation regarding the makeup of BIPA's board. He said that, other than the two PC members, the other members are private sector professionals including PhDs, engineers, lawyers, MBAs and one Director General (Captain Salah, of the port of Umm Qasr).

¶5. (C) Comment: It appears unlikely that the central government, acting through the NIC, will allow BIPA to act

independently on investment issues that could potentially affect the entire country. On this issue, Dhalmi told REO in confidence about Baghdad's intent to dismiss a good number of BIPA board members. Whether BIPA's independent powers are realized or not, it certainly seems to be the perception from local officials that they will be real. Although the board has not held its first meeting, the perception within the Basrawi local government and business community is that BIPA will take the lead in directing the province's future investments. More importantly, the underlying belief is that BIPA board members (and the PC members who nominated them) will have significant influence in joint ventures, contracts, and employment opportunities. When Dhalmi spoke of Governor Waeli's intent to replace some BIPA members for lack of qualifications, we believe his real intention is to replace them with Fadhila-leaning officials. End Comment.

NEGRON